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2129 Rayburn House Office Building
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November 19, 2004

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The Honorable William H. Donaldson
Chairman
Securities and Exchange Commission
450 Fifth Street, N.W.
Washington, D.C. 20549

Dear Chairman Donaldson:

We write regarding authorizing language in the omnibus appropriations legislation pertaining to a Securities and Exchange Commission regulation. This provision would require the SEC to submit a report to the Senate Appropriations Committee justifying rules requiring an independent director to chair the board of a mutual fund.

On June 23, 2004, the SEC adopted rules with respect to the composition of mutual fund boards of directors that will require virtually all funds to have independent chairmen and at least seventy-five percent of directors who are independent. The illegal trading activities and other abuses perpetrated against millions of mutual fund investors that were revealed last year appear to have resulted in part from a systemic failure of internal control and, ultimately, inadequate oversight by fund directors. We firmly believe that the Commission's proposal to require that mutual fund chairmen be independent from fund-management companies is one of the most significant of the Commission's mutual fund-related rulemaking activities to date.

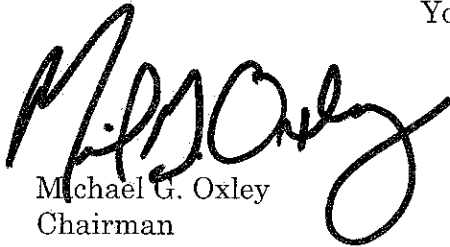
We believe that an independent chairman would set the proper structure among those charged with overseeing the fund's internal controls and compliance by making it clear that the interests of fund shareholders are paramount. An independent chairman can foster the type of meaningful dialogue between fund management and independent directors that is critical for healthy fund governance. Corporate governance reform that places the interests of mutual fund investors first sends a clear and positive message to the investing public.

Given the unprecedented number of enforcement and rulemaking activities the Commission is undertaking in response to the Sarbanes-Oxley Act, mutual fund scandals, and other developments in the financial services markets, we believe it is imprudent to require the SEC to allocate its resources for a study of whether the well-considered and long-debated rulemaking is justified. What is more troubling, however, are the active lobbying efforts by some in the fund industry to overturn a rulemaking by an independent agency before it even takes effect.

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We remain enthusiastically supportive of the independent chairman rule and of your efforts to eliminate the conflicts of interest that plague the mutual fund industry.

Yours truly,



Michael G. Oxley
Chairman



Barney Frank
Ranking Member

cc: The Honorable Richard H. Baker, Chairman, Subcommittee on Capital Markets,
Insurance and Government Sponsored Enterprises
The Honorable Paul E. Kanjorski, Ranking Member, Subcommittee on Capital
Markets, Insurance and Government Sponsored Enterprises